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SENSITIVE

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USDA FFS USEC KEENUM
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USDA FAS/OGA FOR RSCHWARZ & MDWYER
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USTR JMURPHY
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SUBJECT: USDA UNDER SECRETARY KEENUM CO-CHAIRS 3RD U.S.-BRAZIL
CONSULTATIVE COMMITTEE ON AGRICULTURE IN BRASILIA MAY 19-20

¶1. (SBU) SUMMARY: Dr. Mark Keenum, USDA Under Secretary Farm and Foreign Agricultural Services co-chaired the 3rd U.S.-Brazil Consultative Committee on Agriculture in Brasilia May 19-20, 2008 which was successful in expanding bilateral dialogue and in nudging the agricultural trade agenda with Brazil forward. Under-Secretary Keenum's visit, which included meetings with major agribusiness representatives, also provided opportunities to counter unfavorable international press information linking the rise in world food prices to U.S. biofuels feedstock production. END SUMMARY

THE U.S.-BRAZIL CONSULTATIVE COMMITTEE ON AGRICULTURE

¶2. (SBU) The US-Brazil Consultative Committee on Agriculture (CCA) was the result of the initiatives of Presidents George W. Bush and Luiz Inacio Lula da Silva on the occasion of their first official meeting in June 2003, and established through an official document signed the same month by then USDA Secretary of Agriculture Ann M. Veneman and Brazilian Minister of Agriculture, Livestock and Food Supply (MAPA) Roberto Rodrigues. The first plenary session of the CCA was held in March 2004 in Brasilia and the second meeting in September 2005 in Washington D.C. A CCA Mid-Term Review also took place in Washington in September 2004, and a meeting of the CCA Working Group on Multilateral Issues occurred in February 2006 in Brasilia.

¶3. (SBU) Following opening comments from Celio Porto, MAPA's Under-Secretary of International Relations for Agribusiness and USDA Under Secretary for Farm and Foreign Agricultural Services Keenum, the third meeting of the U.S.-Brazil Consultative Committee on Agriculture at the Brazilian Ministry of Agriculture, Livestock, and Food Supply (MAPA) quickly got down to more specific discussion of a range of bilateral issues, principally regarding market access requests of both countries. Michael Yost, Administrator of the Foreign Agricultural Service (FAS), and Dan Sheesley, Deputy Administrator for International Services, Animal and Plant Health Inspection Service (APHIS), also led U.S. delegation discussion during the meeting.

DISCUSSION OF BRAZIL'S TOP PRIORITY MARKET ACCESS REQUESTS

¶4. (SBU) Brazil raised the status of its request to export fresh and frozen beef to the United States. MAPA noted that USDA had completed

its risk analysis and expressed a keen interest in eventually shipping product under the U.S. WTO tariff rate quota for third countries. The U.S. Delegation recognized the importance of the issue to Brazil but also expressed concerns about Foot-and-Mouth Disease (FMD) and referred to FMD outbreaks that occurred in Brazil at inopportune points during the risk assessment process. The U.S. side acknowledged, however, that work on Brazil's request is again moving forward.

15. (SBU) MAPA officials also raised its interest in U.S. recognition of the state of Santa Catarina ("regionalization") for exports of beef and pork to the U.S. market, and expressed concern that after one year of official recognition of Santa Catarina as a FMD-free area without vaccination by the World Organization for Animal Health (OIE), no practical results have been achieved. The U.S. Delegation confirmed that the Animal and Plant Health Inspection Service (APHIS) had recently received additional required information from Brazil and that an APHIS technical visit to Santa Catarina was scheduled for June 9.

16. (SBU) MAPA renewed its interest in exporting poultry meat to the United States and clarified that the official Food Safety and Inspection Service (FSIS) questionnaire is being completed and is expected to be finished before technical sanitary and phytosanitary meetings scheduled between both countries occur in August 2008.

17. (SBU) MAPA discussed the long term efforts Brazil has invested in establishing the *Anastrepha grandis* pest free area in the Northeast region of Brazil, its impact on the local economy and hopes that the area would soon be expanded according to its official request previously submitted. The U.S. side explained that Brazil's request is being assessed under the new Quarantine 56 (Q56) process and a

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result would come soon. Note: official approval of expansion of this area was announced in early June.

18. (SBU) The Brazilian delegation also requested a reduction in the number of on site APHIS inspectors for Brazilian mango exports and the transfer of inspection responsibilities to Brazilian technicians. MAPA said it will send an official request for further training, required by APHIS, to facilitate its request. The Brazilian side expressed hope this all would occur in time for the upcoming harvest season. APHIS agreed to review this request expeditiously and said that further technical discussions are needed.

19. (SBU) MAPA asked for an update on the status of the Pest Risk Analysis (PRA) for Citrus latifolia (Tahitian lime) and stated that it would like to resubmit its earlier request in order to expand it to include tangerines, oranges and lemons. The U.S. delegation said this highly technical issue will be discussed at the August technical meetings noting that an official request needs to be sent to the USDA office in Brasilia.

DISCUSSION OF THE UNITED STATES' TOP PRIORITY MARKET ACCESS REQUESTS

110. (SBU) Under Secretary Keenum made clear U.S. concerns that one year after receiving its controlled risk classification regarding Bovine Spongiform Encephalopathy (BSE) by the World Organization for Animal Health, Brazil has not opened its market to U.S. beef, beef products, and live cattle. He requested further discussions to determine the specific steps needed to export U.S. ruminants and ruminant products to Brazil consistent with OIE recommendations on BSE. MAPA indicated a need for additional information in order to start a detailed risk analysis. Brazil also stressed that equal consideration should cover the whole range of diseases in matters such as equivalence and regionalization. Note: innumerable interventions and demarches by the U.S. Embassy and top level USDA officials over the past year and a half have been unproductive.

111. (SBU) Dr. Keenum also expressed concern about restrictions regarding certain specified varieties of wheat and specific ports authorized to import wheat into Brazil. MAPA said its main concern is the introduction of quarantine (exotic) pests. MAPA noted that

analysis of the specific U.S. request on wheat is in process, and that it will allow for recognition of new pest-free areas and approval of all wheat varieties. Officials added that publication of new requirements is expected to be completed by the end of 2008.

¶12. (SBU) Dr. Keenum expressed appreciation for the recent agreement on new sanitary conditions for shipping day old chicks and stated that he looks forward to the publication of the Normative Instruction in the official gazette of the Government of Brazil (equivalent of the Federal Register). MAPA clarified that it will be published soon, as it depends now only on administrative procedures.

¶13. (SBU) Administrator Yost requested an update on Brazil's requirement of an official consular stamp purchased from the Brazilian Embassy or Consulates in the United States for all sanitary and phytosanitary certificates for agricultural products. The continuing requirement for consular stamps for live animals, such as day old chicks, continues to be a trade irritant for U.S. exporters that increases costs and delays shipment. MAPA clarified that for animal products, a consular stamp is no longer required due to a modification in Brazilian legislation. They also said that through an administrative error in the regulation, the stamp requirement for live animals was not eliminated but that a proposal legally modifying administrative procedures is dependent on administrative procedures for sending the proposal of legal modification to the Brazilian National Congress. Post discussed this issue recently with MAPA officials, who informed us that such a change in legislation does not need to go to Congress, but only to the President's office. MAPA has not formalized the request yet. The U.S. Delegation requested a waiver for the consular stamp requirement until Brazil resolves this issue.

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USDA PRESENTATION ON RISING WORLD FOOD PRICES

¶14. (SBU) Under Secretary Keenum gave a concise presentation about the causes of rising global food prices, touching on macroeconomic factors, market dynamics and specific policy measures. The presentation highlighted the situation for four commodities specifically: corn, soybeans, rice and wheat. MAPA also presented its interpretation and noted that its conclusions are similar to that of USDA.

BRAZIL'S BIOFUELS PROGRAM AND REGULATORY PROCESS FOR ANIMAL PRODUCT IMPORTS

¶15. (SBU) MAPA gave a cogent presentation that covered Brazil's potential for all biofuels production, main production areas, expansion of sugarcane production, status of the ethanol industry and the role of flex-fuel vehicles. MAPA's analysis demonstrated that the Amazon region is inappropriate for sugarcane production due to logistical problems and agricultural growing conditions. MAPA argued that Brazilian agricultural area expansion will occur through a reduction in livestock area.

¶16. (SBU) MAPA also discussed in detail its regulatory process for approving imports of animal products and explained aspects of its organizational structure, highlighting details regarding MAPA's specific competencies as well as Brazilian legislation and procedures of risk analysis for importing animals and animal products. Administrator Yost inquired if MAPA has any further concerns with USDA's economic analysis under its risk assessment process, an issue that Brazil raised during the World Trade Organization Sanitary and Phytosanitary (SPS) Committee Meeting in April 2008. MAPA indicated they had no concerns. APHIS asked how Brazil's SPS regulations are linked to SPS regulations implemented by Mercosur. MAPA indicated that it implements its own regulations and follows international rules.

COOPERATION IN INTERNATIONAL FORA

¶17. (SBU) USDA took the opportunity to promote the candidacy of Dr. Karen Hulebak for Chair of the Codex Alimentarius Commission. MAPA indicated its support, but duly noted that the Brazilian official

position is coordinated by the Ministry of Foreign Affairs and involves other governmental agencies that participate in the inter-agency processes regarding Codex. MAPA said it would propose Dr. Hulebak's candidacy during inter-agency discussions on Codex.

¶18. (SBU) MAPA explained its concerns about geographic dispersion of Codex committees and proposed that they should all be hosted in a single location in order to facilitate participation by more countries. The Brazilian side said that it has the support of Latin American and Caribbean countries and requested U.S. support on the issue. Brazil also requested a meeting with the United States, Argentina, Canada and Mexico before the next meeting of the Inter-American Institute for Cooperation on Agriculture (IICA) Executive Committee scheduled for July 16th, 2008 in Costa Rica in order to discuss more optimal use of IICA resources. The United States said it would consider these recommendations.

¶19. (SBU) Administrator Yost expressed U.S. appreciation for the positions taken by Brazil in the recent May COP/MOP 4 meeting in Bonn, Germany, particularly with regard to liability and redress issues under the Cartagena Protocol. Both delegations agreed with the view that the Cartagena Protocol should not discourage biotechnology development nor result in trade restrictions.

¶20. (SBU) MAPA expressed concerns over the growing use of private standards in trade of agricultural products and the fact that these standards can be used to inhibit trade. MAPA asked the U.S. opinion regarding Argentina's proposal to establish a working group within the WTO SPS Committee to address this issue. Administrator Yost informed MAPA that USTR is the lead on this issue for the U.S. Government.

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CAPACITY BUILDING

¶21. (SBU) MAPA expressed interest in trade capacity training in the following areas: information exchange regarding pest risk analysis and plant quarantine procedures, alternative microbiological methods for analysis of meat products, and FSIS analysis methods for antibiotics detection in animal products. MAPA indicated it would cover its expenses. USDA agreed to take these requests under consideration.

NEXT STEPS ON SPS ISSUES AND THE NEXT CCA

¶22. (SBU) MAPA reconfirmed its earlier request that technical meetings with APHIS take place in Washington D.C. August 12-15 in order to discuss technical aspects of issues raised during the CCA meeting. MAPA also requested to meet with FSIS and FAS staff during this visit. USDA tentatively agreed on the date and venue of the meeting and requested that a detailed agenda be sent to USDA representatives in Brasilia well in advance. Both delegations tentatively agreed the next CCA meeting should take place in Washington D.C. in September 2009.

COMMENT

¶23. (SBU) Although MAPA was initially skeptical of the proposed agenda for the CCA during discussions earlier in May, the Brazilian side was very pleased with the outcome of the meeting and the fact that technical meetings in August had been agreed to.

¶24. (SBU) Under Secretary Keenum and Secretary Porto held a joint press conference and made very similar comments regarding the jump in world food prices, the actions of a number of major world food importers and exporters, and global criticism of biofuels programs.

¶25. (SBU) Under Secretary Keenum was interviewed by Brazil's leading business newspaper in Brasilia and while visiting with agricultural industry members in Sao Paulo earlier during his visit, all of which resulted in accurate accounts of developments regarding world food prices, the U.S. Farm Bill, the WTO Doha Round negotiations and the recent release of the WTO Appellate Body Report on Brazil's cotton case.

SAO PAULO AND FIELD VISITS

¶26. (SBU) Prior to the CCA, Dr. Keenum met with a cross-section of industry leaders in the city of Sao Paulo, including the Brazilian Sugar and Ethanol Producers' Association (UNICA) and FIESP, the Sao Paulo State Federation of Industries. Dr. Keenum also visited sugarcane/ethanol and coffee producing areas of Sao Paulo State and a large commercial farm in the state of Goias that produces soybeans, corn, coffee, wheat and cotton. Discussions largely focused on the state of Brazilian agribusiness, high global food prices, the U.S. Farm Bill and the WTO Doha Round.

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